



Entrepreneurship and Venture Creation

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The Message

If you take nothing else away:

- Networking matters
 - There are resources to help
- Planning matters
- Leadership matters
- Understand how you give value to the customer
 - Value is the objective – technology is the means



Myths

- Business owners have more independence
- Business owners make a lot of money
- Business owners are funded by venture capital and angel investors
 - 61% of 2003 Inc. 500 firms had start-up capital of < \$50,000 – more than half of those had < \$20,000
- Slow and lumbering big business is vulnerable to quick and agile small business



Profiting from Innovation

- Firms responsible for technological breakthroughs and enhancement of existing products are often unable to successfully commercialize the product
 - Imitators, customers and suppliers are often the principle beneficiaries



New Venture Success

- Estimates of start-up venture failure vary from 65% in the first five years to 80% within the first three years (Slatter, 1992).
- First product success factors include (Slatter, 1992):
 - Importance of the product to the customer.
 - Degree of product innovation.
 - Developing completely new technologies requires resources.
 - Scope of product specifications.
 - “Super Product” Syndrome.
 - Technical expertise of the team.
 - Future products extend from first one.

Success Factors -- Cooper

- Superior products that deliver ***unique benefits to the user***
 - far more successful than 'me too' products.
- Well-defined product prior to the development phase
 - clear definition of:
 - the target market
 - customer needs, wants, and preferences
 - the product concept
 - the product's specifications and requirements.
- Quality of execution of technological activities
 - activities include: preliminary technical assessment, product development, testing, pilot production



New Product Failure - Cooper

- Market
 - Detailed market study -- 80%.
 - Test Marketing -- 65%.
 - Product Launch -- 60%.
 - Prototype testing with customers -- 58%.
 - Preliminary Market Assessment -- 55%.
- Evaluation
 - Financial Analysis -- 50%.
 - Initial Screening -- 45%.
- Technical.
 - Prototype testing -- 40%.
 - Product development process -- 35%.
 - Pilot production -- 35%.
 - Production start-up -- 30%.
 - Preliminary technical assessment -- 30%.



Selecting a business model for commercializing new technology - Options

- Build – creating a new business based on the innovation
- Rent – ongoing development and marketing of the innovation to established firms that use the innovation in their businesses
- Sell – disposition of the innovation to an established firm

Business Models

- Value proposition
 - What customer problem are you solving?
- Market segment
 - Who are the customers?
- Value chain
 - What activities are needed to create and deliver the product/service?
 - Will these activities make money?
- Cost structure
 - Sale, rent, per unit, razor and blade, subscription, ...
- Value network
 - Complementary goods
- Competitive strategy



Complementary assets

- Complementary assets are required to commercialize the innovation:
 - Manufacturing capabilities
 - Distribution
 - Service capability
 - Customer relationships
 - Supplier relationships
 - Complementary technologies/products



Business Planning...

- *The Business Plan: Why bother?*
 - Provides focus -- it is about *planning*
 - Differentiate from the 'prospectus'
 - Communicate your business concept to potential sources of financing
 - Provides a framework for operations
- Business plans *evolve* with the company -- not a static document
 - need to be revisited
 - updated
 - iterated

The 'Plan' is useless if it is not implemented.

Business Planning...

Vision

Venture Objectives

Critical Success Factors

- What do you need to be extraordinarily good at to win?-

Value Map

-How are you delivering UNIQUE VALUE to your Customers?-

People

Opportunity

Risk -
Rewards

Context

Corporate Objective - Vision

- High-level statement capturing
 - What are you trying to accomplish?
 - What is your vision for the company?
 - Where is it heading?
 - 'strategic principles'
- Before you can identify critical success factors, you need to have an idea of what you are trying to accomplish
 - many of these factors will become apparent as the plan develops



Critical Success Factors

- What do we have to do better than anyone else?
- What are the key issues we have to address?
- What assumptions have we made?
- What capabilities must we have to achieve and sustain our competitive advantage?

Important to make them measurable and link them to the achievement of your strategic objectives.



How Do You Provide Value?

- Who are your customers?
 - This is all of your market
 - How is the market structured?
 - Market Share: “Companies get 100% of the market they deserve”
 - What do they NEED?
- Who are your competitors (not always companies)?
 - Direct and indirect
 - How do they deliver product/service?
 - How do they achieve value to the customer?
- How do you reach your customer
 - What is your unique value – Value proposition?
 - How do you reach the customer?



People ...

- Your strengths and weaknesses?
- The people involved now?
 - Skills of the management team
 - Management structure?
 - how will decisions be made?
 - Who is on your Board of Directors?
 - Is the management team complete?
 - Who are the key technology / operations people?
 - Be brutally honest!
- The gaps?
 - What knowledge and skills will your company need to acquire?
 - How will the company hire / acquire / (*fire*) the people it needs



Opportunity : *Venture profile* ...

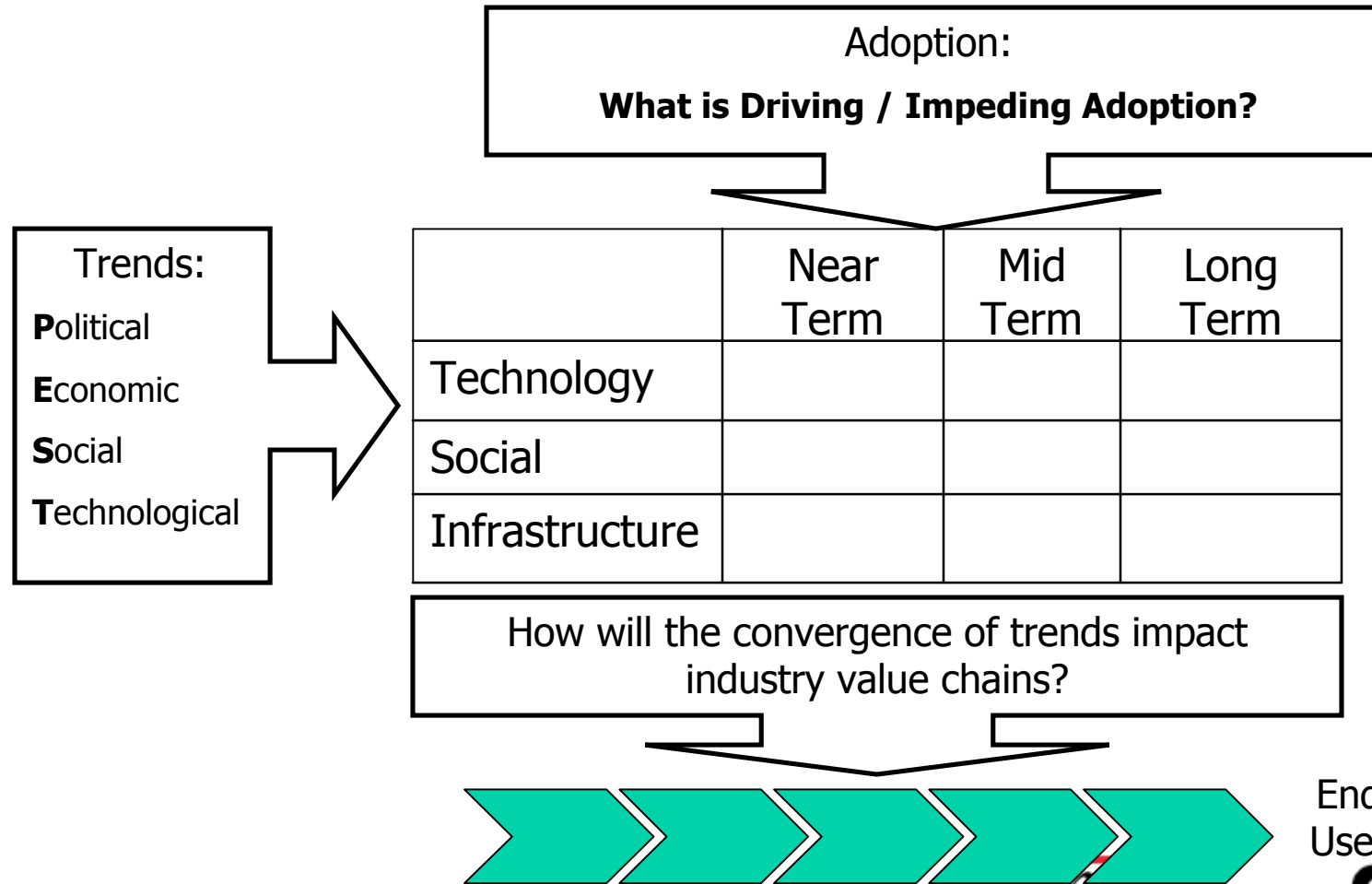
- What is your target market?
 - Who are your customers?
 - How is the market segmented
 - Why will they buy your product or service?
- What is your *competitive advantage*?
 - Is it sustainable?
 - Who are your competitors? -- none is not an answer!
 - What are the barriers preventing others from entering your market space?

If you have no competitive differentiation - you have no reason to exist!

Opportunity...

- How will *the Opportunity* be realized?
 - Product description
 - How will it be manufactured?
 - Who are key suppliers?
 - How will it be delivered to the customer?
 - How will it be *priced*?
 - Value pricing?
 - Don't fall into the 'lowest cost producer' trap?
 - How much *money* is required?
 - Be realistic!
 - Once credibility is lost it is hard to get it back.
 - How will it be *managed*?

Understanding Opportunities



End
User

Risk and Reward...

- What are *the obstacles* to implementing the plan?
 - Who, What, Where, When, How
 - **There are always risks**
 - *Contingency* planning is vital
 - must be able to identify these risks
 - Scenarios
- ... and Reward -- Expected *outcome* if you are successful
 - Why would anyone invest?
 - What's in it for them?
 - How long before there is a return?



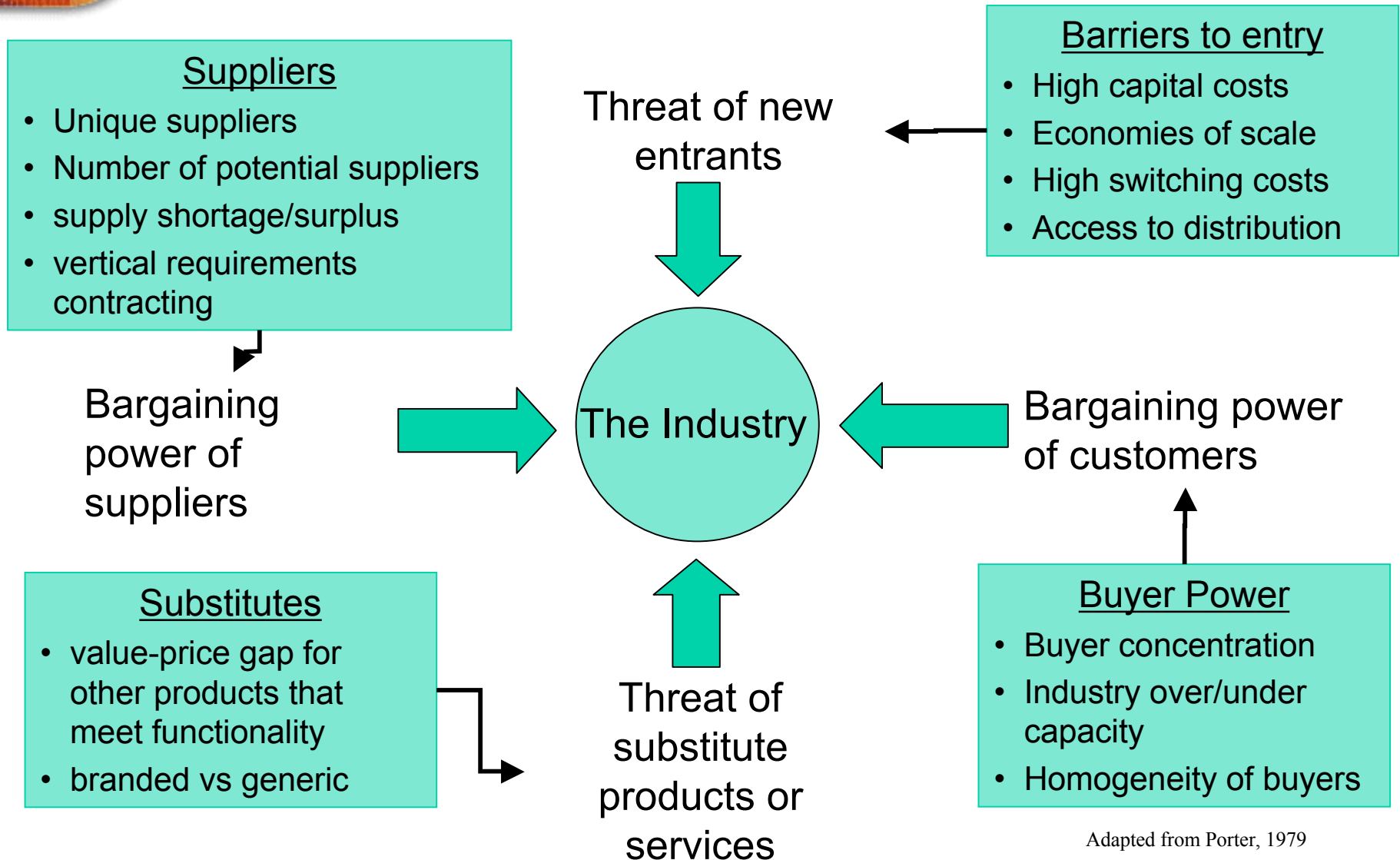
Understand Your Market!

Basic Market Structures

- Pure competition
 - very large number of buyers and sellers of a non-differentiated product
- Monopoly
 - opposite extreme from pure competition
- Monopolistic competition
 - characteristics of competitive and monopoly markets
 - few dominant firms and a large number of competitive fringe firms
 - relatively easy entry and exit from the market as a whole but very high barriers to entry among the leaders
- Oligopoly
 - a few closely related firms
 - actions of an individual firm impact others in the industry
 - interdependence is more significant than differentiation for a firm's demand



Your Competitive Environment





Context...

- What is the environmental context?
 - What is the current economic climate?
 - What is the current investment climate?
 - What is the current regulatory environment?
- What are the factors that must be considered when considering this venture?

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